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# 2018 - Reny Oktafia, Sigit Hemawan, dkk - Implementation of Islamic Economic System

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**Submission date:** 23-Dec-2020 09:10AM (UTC+0700)

**Submission ID:** 1480723710

**File name:** git\_Hemawan,\_dkk\_-\_Implementation\_of\_Islamic\_Economic\_System.pdf (871.68K)

**Word count:** 2637

**Character count:** 13634

## **Implementation of Islamic Economic System in Arek Cultural Society**

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### **ABSTRACT**

The purpose of this study is to show the application of Islamic economic in the reality of cultural society in their daily economic activities, in general cultural society have an unique system to organize their live, based on local wisdom that uphelds by the society through the generation. This article will explain that local wisdom is part of al-urf, one of ushul fiqh method to determine a the legal status of an act in shari'a perspective. The researchers used qualitative research, the data were obtained through in-depth interviews, and observations with informants representing important figures. The final result of this study shows that many proof that the implementation of the cultural economic system of Arek society in Malang Regency that carried out by the community is in accordance with the principles of Islamic economics.

Keywords :, local wisdom, economic activities, islamic economic system.

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## Implementación del Sistema Económico Islámico en la Sociedad Cultural Arek

### RESUMEN

El propósito de este estudio es mostrar la aplicación de la economía islámica en la realidad de la sociedad cultural en sus actividades económicas diarias, en general, la sociedad cultural tiene un sistema único para organizar su vida, basado en la sabiduría local que la sociedad apoya a través de la generación. Este artículo explicará que la sabiduría local es parte de al-urf, uno de los métodos más usados para determinar el estado legal de un acto en la perspectiva de shari'a. Los investigadores utilizaron investigación cualitativa, los datos se obtuvieron a través de entrevistas en profundidad y observaciones con informantes que representan cifras importantes. El resultado final de este estudio muestra que hay muchas pruebas de que la implementación del sistema económico cultural de la sociedad Arek en la Regencia de Malang que lleva a cabo la comunidad está de acuerdo con los principios de la economía islámica.

Palabras clave:, sabiduría local, actividades económicas, sistema económico islámico.

### INTRODUCTION

The geographical condition of Indonesia is an archipelagic country that has various cultures along the archipelago. Those various cultures creates a local wisdom. These economic system that born from local wisdom is interesting to be traced to its existence and its relevance and study how far its relevance to the principles of Islamic economics itself.

Therefore, the culture exploration of the nation, is necessary to do, as well as the effort to criticize its existence that associated with the inevitability of the change of society in economic activities. Another thing that is not less important is how the emergence of the process of synergy and participation of Islamic economics for all groups of society along with a set of values and local paradigm inherent in it.

East Java is the largest province among six provinces in Java Island with the second largest population in Indonesia after West Java. Based on data from the Central Bureau of Statistics (2017), the number of people who live in Arek Culture area are 15,677,014 people or 40.12 percent of the total population in East Java Province. The largest population is in Surabaya with 2,862,406 people live in it. From the Central Bureau of Statistics (2016) data, the population in the Arek culture area is the majority of Moslems, as many as 15.56 million people. Given the dominance of the population of Moslems in the area of Arek culture, this is also the basis for consideration to conduct analysis of Islamic economic activity with local culture especially Arek culture.

## LITERATURE REVIEW

### Islamic Economics Principles

<sup>1</sup>The Al-Quran and As-Sunnah, are principal sources for Islamic economics. Islamic economics should focus on those tafsir<sup>1</sup> of the verses that explain descriptive statements on human nature (fitrah). The division of Sunnah into legal (sunnah tashri  $\text{\textcircled{X}}$ iyyah) and non-legal sunnah (sunnah ghayr tashri  $\text{\textcircled{X}}$ iyyah) has provided a useful guidance in order to distinguish between a hadith which provides a basis for a fiqh rulings and a hadith which does not. Among the non-legal Sunnah are also the rulings which originate from the Prophet (pbuh) in his capacity as imam or head of the state such allocation and expenditure of public funds, decisions pertaining to military strategy and war, appointment of state officials, distribution of booty, signing of treaties, and etc which legal rules cannot be derived. This type of Sunnah does not entitle individuals to any right, nor oblige them unless a decree to that effect is given by a lawful authority. (Saleem, 2010)

The paradigm of Islamic economic system is the Shari'ah which is extracted from Al-Quran and As-Sunnah fundamentally different from the capitalism and marxianism. Every paradigm in economics system is based on certain philosophic foundations and is a system of belief. (Arif, 1985)

### <sup>2</sup>1-Urf

Custom and usage are two terms of English jurisprudence which are known in Islamic jurisprudence as

'Urf (عشرف) and Ādah (عاده). Literally and technically, these terms differ but in usage in society they overlap each other. In Islamic Law the definition of custom is stated as follows: 'Urf or 'ādah is (a state) which is firmly established in hearts and appeals one logically.



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Another definition is offered by Abd al-Wahhāb al-Khallāf: ‘Urf is a matter well known by the majority of the people whether it is words, some practice or some abandonment. But it does not negate any of the Book of Allāh or the Sunna of the Prophet. (Ghani, 2012)

Urf or Customary law is one of the most important supporting sources in Islamic law. Normally these Urf or customs will be inherited by generations until the come of other customs that can overrule the earlier ones. (Abdul Aziz Bello & Hassan, 2013)

However, Urf /ʿAdah cannot have an independent legal force except to complement the Qurʾān and Sunnah especially where there is no express verdict on a particular issue. (Salisu, 2013)

3 Local Wisdom

Local wisdom is life values inherited from one generation to generation, the form of religion, culture or customs, in general in oral form in a social system form a society. The existence of local wisdom in society is the result of the adaptation process to the next in a very long period of time, to an environment that is usually inhabited, or environments where frequent interactions therein. (Primyastanto,

6 Muhammad, Soemarno, & Efani, 2013)

6 Local wisdom is basic knowledge to balance the living between human that 6 gained from living with the nature. It is passed on through the generation. The wisdom from real experiences integrates the body, the spirit and the environment. It emphasizes respect for elders and their life experiences. Moreover, it values morals more than material things. (Mungmachon, 2012)

## DATA AND METHODOLOGY

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The research approach used in this research is qualitative research. Bogdan and Taylor (2007: 4) defines a qualitative methodology as a research that produces descriptive data in the form of written or oral words of persons and observable behavior. This approach is directed to the background of the individual. It should not isolate individuals or organizations into variables or hypotheses, but need to view them as part of a wholeness.

This qualitative research is more specifically directed to the use of Grounded Theory method. Grounded theory is a methodology<sup>4</sup> that seeks to construct theory about issues of importance in peoples' lives. In that the researcher has no preconceived ideas to prove or disprove. Rather, issues of importance to participants emerge from the stories that they tell about an area of interest that they have in common with the researcher. (Mills, Bonner, & Francis, 2006)

In this study, researchers will use the Grounded Theory method to reveal about the concept of Islamic economic activity in some areas of East Java in accordance with local culture of the region, by understanding and interpreting the views and events on the subject of research, in order to explore the concept of Islamic economic activity that has been run by the community in some areas of East Java.

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#### Data collection

Data was obtained through the results of interviews with arek cultural society in Bendosari Village, Malang Regency. The interview involves important figures. This research uses passive participation observation. Where in this research the researcher came to the place of activity of the observed person but did not get involved in the activity.

## RESULT

Seeing the potential sources owned by the Bendosari Village, in Malang Regency as the center of milk producer and also there is the largest cattle ranch in Malang. So that the majority of people in the area work in the agricultural sector, especially farms and plantations. The society uses method namely Gaduhan system or profit sharing system in daily economic activities in the community. the profit and loss sharing arrangements are held as an ideal system of business in Islam. It is expected that this profit and loss sharing system will be able to significantly remove the inequitable distribution of income and wealth. (Rahim & Rahman, 2007).

Gaduhan term comes from "gaduh" word taken from the Javanese language, can simply interpreted as giving capital to someone that trustworthy so that capital can be developed. This pattern of cowhide system partnership has been known for a long time through the generation in the community of Bendosari Village. In practice, the share of the profit of Gaduhan system, is when the cow gave birth, the first calf belongs to the cattlemen, the second calf belongs to the

owner of the cow, the third child returns to the cattlemen and so on. While the result of milk sales is divided into two and shared proportionally between the owner of the cow and the cattlemen.

This Gaduhan covenant form was not written, as it was done orally on the basis of kinship and mutual trust to trust and not use documents. Implementation is also enough to be done between the two sides only, the owner of the cow and cattlemen. Means that by using the system for the results of this farm either the cultivators or owners can also feel the benefits. It can be seen in the teachings of Islam, this kind of good to practice, A key output of the islamic economic paradigm are unity, trusteeship, equity, balance and justice principles are the moral filter that improves the welfare of the community.

There is also a system of cooperation between the owner and the farmers in Bendosari Village, Malang Regency as follows :

(1) Conduct Cooperation Agreement

In a transaction or doing muamalah, contract or akad is the most important thing, the meeting of ijab by one party with the qabul of the other party that resulted in legal effects on the object of the contract.

(2) Capital

Gaduhan system in Bendosari Village, Malang Regency using syirkah uqud al-abadan contract, a contract agreed by two or more people, to accept a job that will be done together then the profits are shared in accordance with the agreement because between the owner and cattlemen work together, the owner always controls the livestock situation and the cattlemen maintains and cares for the cow.

(3) Wage Distribution System

The owner of the capital with the cattlemen makes preliminary agreement, about clarity of the cattle business and profit sharing, that the owner have to provide capital to the cattlemen for the cow, and then the results will be divided in the form of calves.

(4) Making Agreement Before The Job

Share of the profit is done based on the initial agreement from the owner and the cattlemen.

(5) Form of the Agreement

Contract that exists between the owners and the cattlemen. The contract remain oral not written. Just with the oral agreement between owners and cattlemen put in trust at each other as long there is maslahah in it. The form of gaduh livestock care and cooperation is a manifestation of sharia principles in business, such as justice, help, risk sharing, and nubuwwah.



(1) Principle of Justice in Distribution of Gaduh Cooperative Revenue

Distribution of income in rowdy cooperation using maro bathi system (profit sharing) or maro anak (share of calves). For male calf, the profit sharing is in the form of sales profits that are shared equally between the owner and the cattlemen (maro bathi). For female cow, for the results of the calves born during the treatment, divided equally between the owner and cattlemen (maro anak).

(2) Principle of Help Each Other as a Capital in Gaduh System

When a person establishes his own business, it takes a lot of capital in the form of money, time, and energy. Doing business cooperation can be an alternative choice for someone to earn income.

(3) Principle of Risk Sharing in Gaduh Cooperation

With cooperation, business risk will be shared. All divided equally according to portions. Owner are at risk of losing their capital, while cattlemen risked to losses their efforts during the cooperation. However, these risks can be minimized by conducting business cautiously. The principle of risk sharing in Islamic business cooperation prioritizes tolerance and musyawarah, as well as gaduh cooperation. When there is a problem in gaduh cooperation, everything is discussed to find the best solution.

## CONCLUSION

The results of this study shows the existance of simmiliarity between the local economic culture with the principles of Islam on constituting the economic activities of moeslems. Implementation of gaduhan system in arek cultural society is approaching the implementation of Islamic economic system, yet we have come to see it through important aspects of the arrangement between two parties in the application of gaduhan system, the owner and the cattlemen. The subject of the arrangement are in accordance with islamic principle and they can took benefits from applying it in their daily activities. Because islam has thought the theory maqashid al-shari'ah which guarantees of the five basic elements in life, one of them is the protection of prosperity or protection of the wealth (lil hifdz al-maal). As we able to conclude that implementation of Islamic economic system in Indonesia can be applied with the intermediary of local wisdom that lives in the society brings to dialogue with Islamic economy.



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